

**CHAPTER NO. 536**

**SENATE BILL NO. 17**

**By McNally, Graves, Bryson, Kilby, Burks, Harper, Kurita**

**Substituted for: House Bill No. 226**

**By Hackworth, Ferguson, Winningham, Harmon, Phillip Johnson**

AN ACT to amend Tennessee Code Annotated, Title 7, Chapter 64, relative to real property tax deferral.

WHEREAS, there is a need to promote rehabilitation of older residential neighborhoods to preserve such areas from becoming blighted, as well as preserving the diversity of housing stock and historic value of communities; and

WHEREAS, this is extremely essential in areas where many properties have been converted to rental units; and

WHEREAS, such an enterprise is a valid public purpose; and

WHEREAS, local governments need flexibility to encourage rehabilitation of such older homes and neighborhoods by being given the authority to create grant programs to carry out such goals; now, therefore,

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. This act shall be known and may be cited as the "Older Neighborhood Preservation Act".

SECTION 2. As used in this act, unless the context otherwise requires:

(1) "Dwelling unit" means a structure or the part of a structure that is used as a home, residence, or sleeping place by one (1) person who maintains a household or by two (2) or more persons who maintain a common household;

(2) "Older residential neighborhood" means an area where a majority of the residential property was constructed fifty (50) years or more prior to the effective date of this act;

(3) "Owner" means one (1) or more persons, jointly or severally, in whom is vested:

(A) All or part of the legal title to property; or

(B) All or part of the beneficial ownership and a right to the present use and enjoyment of the premises;

(4) "Residential real property" means a building located in an older residential neighborhood consisting of one (1) dwelling unit in which the owner of the real property resides as the owner's principal place of residence.

(5) "Residential rental property" means a building or structure located in an older residential neighborhood containing one (1) or two (2) dwelling units that are rented; and

(6) "Substandard residential rental property" means residential rental property where the dwelling unit or improvements within the dwelling unit, which by reason of dilapidation, obsolescence, faulty arrangement or design, lack of ventilation, light and sanitary facilities, deleterious land use, or obsolete layout, or any combination of these or other factors, are detrimental to the safety, health, morals, or welfare of the community.

SECTION 3. Upon the adoption of a resolution by a two-thirds (2/3) vote of the legislative body, a municipality or county may create a grant program for the revitalization of substandard residential rental property located in an older residential neighborhood and may also create a grant program for the revitalization of residential real property located in an older residential neighborhood.

SECTION 4. The grant programs shall be based on the estimated expense of renovating the property to property which is decent, safe and sanitary and which meets all local building and housing codes concerning fitness for habitation. The resolution establishing the grant program or programs shall at a minimum:

(1) For grants for substandard residential rental property:

(A) Identify the neighborhoods or portions of neighborhoods which contain substandard residential rental property for which a grant program is created; and

(B) Establish the criteria for renovation and rehabilitation of substandard residential rental property;

(2) For grants for the renovation or rehabilitation of residential real property:

(A) Identify the neighborhoods or portions of neighborhoods where a majority of the residential real property is such that the property values of the neighborhood are adversely affected by the condition of the housing stock; and

(B) Establish the criteria for renovation and rehabilitation of such residential real property.

(3) Establish an application and appeal process for such grants; such application process shall require that all owners of the property, or their legal representatives, to which the grant applies sign the grant application;

(4) Determine the maximum amount for a grant under each program;

(5) Set the time period in which the grant shall be used; the programs shall include a mechanism for funds to revert back if funds included in the grant are not expended; and

(6) Develop a system of verification and accounting to ensure that the funds are being accurately utilized to rehabilitate the dwelling unit.

The resolution may establish penalties in addition to those included in Section 7 for failure to utilize grant funds in accordance with the program developed by the municipality or county.

SECTION 5. Before the legislative body adopts such a resolution, the legislative body shall hold a public hearing relating to the proposal after publishing a notice of such public hearing in a newspaper of general circulation in the municipality or county at least two (2) weeks prior to the date of such public hearing. Such notice shall include the time, place and purpose of the public hearing.


SECTION 6. If residential rental property or residential real property lies in more than one (1) taxing jurisdiction which has created a grant program under the provisions of this act, approval for a grant by one jurisdiction does not automatically establish approval for a grant in such other jurisdiction.

SECTION 7. It is theft of property punishable as provided in § 39-14-105 to knowingly fail to utilize grant funds in accordance with the program developed by the municipality or county.

SECTION 8. This act shall take effect upon becoming a law, the public welfare requiring it.

**PASSED: April 12, 2004**

  
JOHN S. WILDER  
SPEAKER OF THE SENATE

  
JIMMY NAIFEH, SPEAKER  
HOUSE OF REPRESENTATIVES

**APPROVED this 22<sup>nd</sup> day of April 2004**

  
PHIL BREDEZEN, GOVERNOR